HOUSING MARKET OUTLOOK
St. Catharines-Niagara CMA

CANADA MORTGAGE AND HOUSING CORPORATION

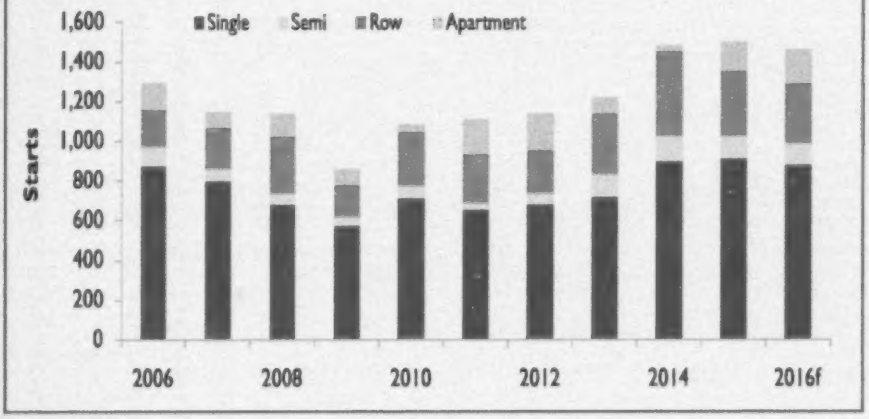
Date Released: Spring 2015

Highlights

- Single-detatched and apartment starts higher in 2015
- Existing homes market tighter, average price growth remains robust
- Labour demand lifts full-time employment and wages

Figure 1

Ground-Oriented Housing Remains Popular



Source: CMHC

The forecasts and historical data included in this document reflect information available as of April 20, 2015.

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New Home Market: Singles And Apartments Lift Starts In 2015

Total starts will increase in 2015 by 2.1 per cent. Single-detached home and apartment starts will lift total starts. Semi-detached and row starts will decrease and offset part of the lift from singles and apartments. Total starts will decrease by three per cent in 2016. Apartment starts will increase but fewer singles, semis, and rows will decrease total starts.

A tighter existing homes market, job growth, and new residents coming into the region will push total housing starts up in 2015. In 2014, wage growth was below one per cent. New single-detached homes priced below $400,000, semi-detached homes and rows became popular due to muted wage growth. The economic lift in 2015 will gradually allow a greater share of households to look for new single-detached homes and move away from semis and rows.

The inventory of unabsorbed and completed units is low because many homes are purchased before they are finished. Demand for new housing will ensure builders continue breaking ground for new projects in 2015 and 2016.

Greenfield land for residential development is decreasing in some sub-markets and almost depleted in others. Given the land constraint, builders will break ground for more apartments in both 2015 and 2016. The economy will support housing demand in 2015 and 2016 but land constraints will mean total starts will decline slightly in 2016.

New single-detached price will increase in 2015 by 4.2 per cent. As the year progresses household confidence will increase and the share of pricier homes will rise as buyers will become more comfortable about taking on larger commitments. The market is shifting to less expensive single-detached homes but a few luxury homes sold early in 2015 did push up the average price also. In 2016, average new single-detached home price will increase by just over two per cent.

Existing Home Market: Existing Home Sales To Increase In 2015

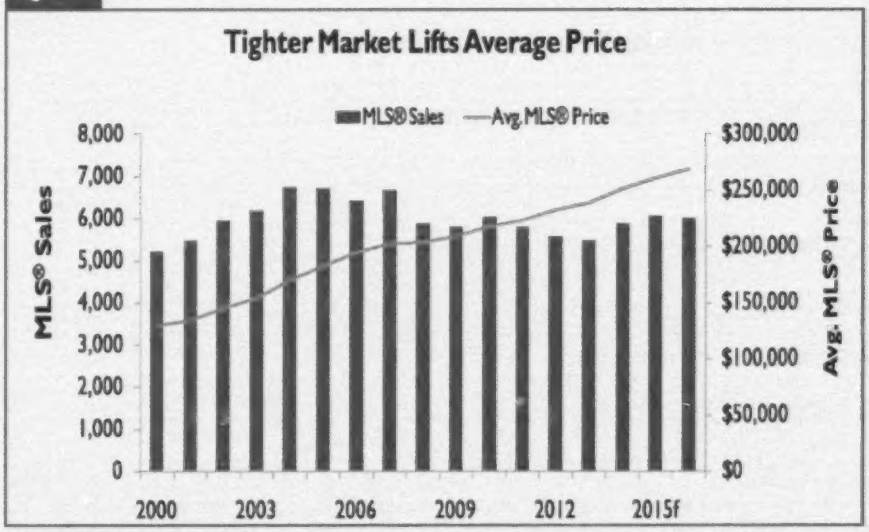
Existing home sales will be higher in 2015. In spite of the harsh winter, sales remained robust in the first quarter. This will continue into the peak spring and summer seasons as more households become homeowners. Full-time jobs, low mortgage rates and buyers from outside the region will support existing home sales growth this year.

In 2016, sales will be relatively flat decreasing by only one per cent. Some buyers who would have otherwise purchased a home in 2016 will pull forward their purchase to early 2015 to take advantage of low interest rates. Mortgage rates will gradually increase but job and wage growth will offset some of the monthly mortgage payment increase caused by the mortgage rate hikes and price growth. Furthermore, households moving into the region to purchase will guarantee that sales remain robust in 2016.

New listings will decrease slightly in 2015. Buyers from outside the region will not contribute to new listings throughout the year but, in particular, in the peak spring and summer seasons. In 2016, new listings will increase slightly because price growth in the second half of 2015 and into 2016 will encourage more potential sellers to list their homes.

A tighter market favouring sellers in 2015 will continue to push the average price up. Average price growth will be about four per cent. Full-time employment growth and rising wages will allow buyers to absorb most of the price increases in 2015.

Figure 2



Source: CREA (MLS®), MLS® is a registered trademark of the Canadian Real Estate Association (CREA). Forecast: CMHC.

In 2016, the market will continue favouring sellers but gradual mortgage rate increases will lower sales and average price growth slightly.

Affordability is something to keep an eye on in 2016 as the gap between the required income and actual income continues to narrow. Wage growth, while robust, is less than existing home price growth.

Rental Market: Rental Market To Tighten

The purpose-built apartment vacancy rate will trend down to just over three per cent in 2015. Youth leaving the family home, students moving to the region for their studies, and new residents coming for work will push the vacancy rate down.

The average monthly rent for a two-bedroom unit in St. Catharines-Niagara will increase by 1.5 per cent, in line with the provincial rent guideline for 2015 Robust wage growth will allow renters to comfortably afford higher average rents.

Since 2012, over 400 market and social rental apartment units have been completed. Many of these units have been brought on board thanks to federal-provincial funding aimed at helping to renew the rental stock in St. Catharines-Niagara. Close to 200 of those 400 apartment completions are designated for social housing. The wait list for social housing is quite long in the region. With these newer units renters waiting for social housing moved out of market rental putting some upward pressure on the purpose-built vacancy rate. The market rental units have been gradually absorbed into the market as demand increases to meet this new supply.

In 2016, the purpose-built apartment vacancy rate will continue dropping and the average rent for a two-bedroom apartment will increase by about two per cent. Continued job and wage growth and new residents from outside the region will tighten the rental market further. Expected rental completions will be comfortably absorbed.

Economic Trends: Employment And Wages To Increase

Economic growth in St. Catharines-Niagara will lead to greater housing demand in 2015. Job growth will outstrip labour force growth and the unemployment rate will trend down. Full-time employment, a key contributor to housing demand, will increase as trade with the U.S. increases thanks to a weaker Canadian dollar and greater U.S. economic growth.

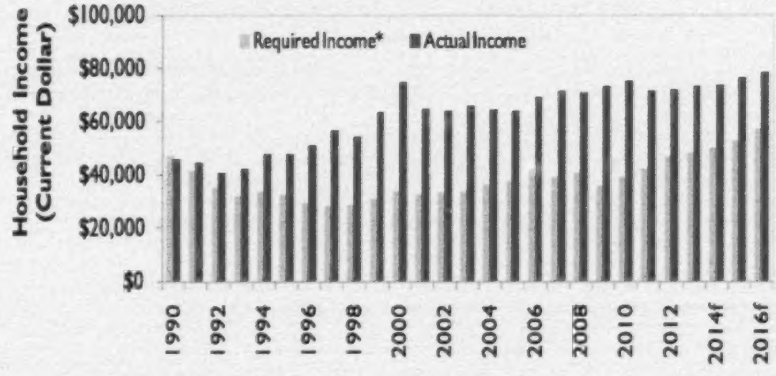
Business investment is increasing in the region. New operations or expansions in the region include a new chemical manufacturing facility, a distribution and manufacturing expansion in Montrose Business Park, a wine technology equipment investment and a sizeable souvenir supplier consolidation in the Stanley Avenue Business Park in Niagara Falls City. Furthermore, the Pan-Am and Parapan-Am events in 2015 will benefit the region's economy. There is also a proposed liquid natural gas facility in Thorold City that is in the approval stages with federal/provincial regulators.

New residential and commercial projects will keep the construction sector busy in 2015 and into 2016. Education services will increase thanks to post-secondary institution expansions.

In 2015 and 2016 sectors tied directly to exports and foreign trade will see their fortunes turn. Specifically,

Figure 3

St. Catharines-Niagara CMA Homeownership Affordability (All Households)



Source: CMHC, Statistics Canada, and CREA.
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on a 10 per cent down payment, the posted fixed five year mortgage rate and the longest available amortization for a mortgage.

manufacturing, trade, transportation and warehousing, and accommodation and food services will benefit from the lift to the US economy, weaker energy prices, and the low Canadian dollar.

The number of new residents from outside the region will increase significantly in 2015. Investments in the region's post-secondary education sector will attract new students. More jobs with higher wages will attract new graduates. Homebuyers from surrounding regions such as Hamilton and Toronto will add to the region's population also. As growth in Western Canada slows, fewer Ontarians will leave the region and a greater number of people will return to the area.

Mortgage Rate Outlook

Mortgage Rates are Expected To Remain At or Close to Current Levels Over the Forecast Horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Mortgage rates		
1 Year	Q1 2015	2.97
	Change from Q1 2014	-0.17
	2014	3.14
	2015 (F)	2.30 to 3.50
	2016 (F)	2.40 to 4.00
5 Year	Q1 2015	4.76
	Change from Q1 2014	-0.40
	2014	4.88
	2015 (F)	4.00 to 5.50
	2016 (F)	4.20 to 6.20

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2015 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to remain at or close to current levels over the forecast horizon.
Employment	Broad-based employment growth, particularly full-time employment, supports housing demand
Income	Increased demand for labour will bid up wages. Consumer confidence goes up. Consumption increases, particularly, big-ticket items such as homes and automobiles.
Net Migration	The home price-differential with nearby markets will continue to attract home buyers to St. Catharines-Niagara. Workers will relocate to St. Catharines-Niagara for the jobs and robust wage growth. Investments by schools to expand capacity payoff as student enrolments increase
Existing Home Market	Housing demand tightens the existing homes market further. Average price growth remains above inflation.

Risks to the Outlook

This outlook is subject to some risks, including the following:

- While lower oil prices are a net positive globally, global growth in the first quarter has disappointed. There is risk of a period of protracted global economic weakness and slow, possibly negative, price growth.
- Growth in Emerging Market Economies (EMEs) could disappoint. In China, economic growth projections have been revised downwards closer to 7%.
- While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to adverse shocks. A disorderly unwinding of household sector imbalances, should it materialize, could have sizable negative effects on other parts of the economy and on inflation.
- An upside risk to our outlook is a stronger than expected growth in the United States since it would benefit Canadian exporters and likely drive greater-than-expected housing demand.

Forecast Summary
St. Catharines-Niagara CMA
Spring 2015

	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	678	717	896	920	2.7	890	-3.3
Multiples	459	506	583	590	1.2	580	-1.7
Semi-Detached	60	111	128	110	-14.1	105	-4.5
Row/Townhouse	215	310	424	330	-22.2	300	-9.1
Apartments	184	85	31	150	**	175	16.7
Starts - Total	1,137	1,223	1,479	1,510	2.1	1,470	-2.6
Average Price ($):							
Single-Detached	435,429	415,078	393,000	409,500	4.2	418,500	2.2
Median Price ($):							
Single-Detached	387,990	389,900	370,990	376,000	1.4	381,000	1.3
New Housing Price Index (% chg.)	2.0	3.1	2.4	1.7	-	2.0	-
Resale Market							
MLS® Sales	5,554	5,483	5,875	6,050	3.0	6,000	-0.8
MLS® New Listings	10,023	9,656	9,848	9,760	-0.9	9,770	0.1
MLS® Average Price ($)	232,050	238,450	251,297	260,800	3.8	268,800	3.1
Rental Market							
October Vacancy Rate (%)	4.0	4.1	3.6	3.2	-0.4	3.0	-0.2
Two-bedroom Average Rent (October) ($)	862	872	892	905	1.5	925	2.2
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	201,800	193,500	195,400	198,900	1.8	201,700	1.4
Employment Growth (%)	2.9	-4.1	1.0	1.8	-	1.4	-
Unemployment rate (%)	8.0	8.6	7.7	7.0	-	6.8	-
Net Migration	1,754	1,505	1,232	1,280	3.9	1,300	1.6

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over; MLS® data includes the St.Catharines, Niagara, and Welland boards

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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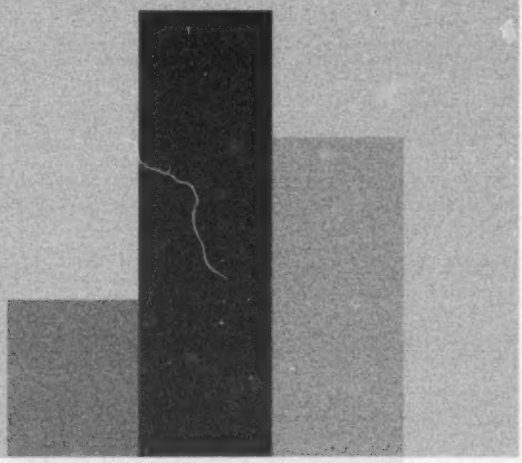

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